



April 28, 2004

Ms. Marilyn R. Abbott
Secretary
United States International Trade Commission
500 E Street, SW
Washington, DC 20436

**RE: Inv. Nos: TA-131-29 and TA-2104-12: US-Thailand Free Trade
Agreement: Advice Concerning the Probable Economic Effect of Duty-Free
Treatment for Imports**

Hearing Testimony

Thank you, Commissioner and the members of the International Trade Commission for this opportunity to testify before the USITC on the U.S.-Thailand Free Trade Agreement and the probable economic effect of providing duty-free treatment for imports.

My name is T. James Min, II and I am an attorney for FedEx Express Corporation, the world's largest express delivery service company. FedEx, which serves 215 countries, employs more than 245,000 employees worldwide, and handles approximately 5.4 million shipments daily, plays an integral role in global trade and commerce. Having been established in Thailand over twenty years ago in 1983, FedEx is currently the leading express transportation company in Thailand with twelve flights to and from Bangkok International Airport a week.

On behalf of FedEx, I am here today to represent the US Thailand FTA Business Coalition. As a corporate co-chair in the Coalition, FedEx, along with the over 100 companies that have joined as members, fully supports the administration in its efforts to negotiate and pass a comprehensive, WTO consistent US-Thailand FTA. The other corporate co-chairs of the Coalition include the General Electric Company, New York Life International, QUALCOMM Inc., TimeWarner, and Unocal Corporation.

The US-Thailand FTA Business Coalition was formed by the US business community soon after President George Bush and Prime Minister Thaksin Shinawatra announced the intention to negotiate a US-Thailand FTA. The role of the Coalition is to lobby for a premium agreement, and to ensure that US business' interests are well represented. It will

work to ensure that both negotiating parties stay focused on completing the agreement in a timely manner, and subsequently on the passage of the agreement through required government processes. The Coalition will also be a leading source of educational information about the agreement, the importance of the US-Thai relationship, and the benefits of an agreement for US industrial, service and agricultural sectors. Included in this testimony is a list of the Coalition members.

The recent all cargo open skies accord between the United States and Thailand (signed in October 2003) has furthered the importance of Thailand to the air express industry. FedEx applauds the administration's initiation of negotiations for a free trade agreement between the United States and Thailand and believes that a comprehensive agreement will yield benefits to both American and Thai businesses and consumers.

Today, I would like to address the question posed by the ITC in its request for testimony and touch upon the specific benefits of a comprehensive US-Thai FTA, particularly with regards to providing duty-free treatment of imports. Due to time constraints, I will highlight some key points from my more comprehensive written testimony.

The US business community represented in the Coalition has identified a large number of benefits that would be derived from the liberalization of trade by both the US and the Thai governments. It is important to note here that Thailand is a large and significant market for the United States. In 2003, bilateral trade amounted to over \$21 billion, with US exports of \$5.8 billion accounting for approximately 100,000 high paying US based export related jobs. Below are highlights from specific industries.

The Effects of the reduction of United States tariffs on Imports from Thailand:

The members of the Coalition believe that the negative impact on US companies of the reduction of US tariffs on Thai imports would be negligible. Existing US tariffs on most imported goods are already low, with tariffs on non-agricultural goods averaging 2-3% and tariffs on agricultural goods averaging 7%.

Footwear Industry: Reduction of existing footwear tariffs will not harm the US shoe manufacturing industry but will greatly benefit US consumers. Because domestic manufactured footwear cannot compete on price with imports, even after application of current MFN tariffs, there is no connection between maintaining shoe duties and the continuance of domestic shoe manufacturing jobs. Current duty rates on footwear are amongst the highest in the US tariff schedule, with non-rubber footwear duty rates ranging from 6-10% and rubber footwear duty rates, ad valorem, ranging up to 67%. With US import penetration for all footwear at 98% in 2002, consumers in America are adversely affected by the higher price of shoes as a result of existing tariffs. The footwear industry would greatly benefit from the elimination of duties on all footwear immediately upon the implementation of the FTA.

Sugar: Multiple members have identified the importance of the elimination of the existing tariff rate quotas on Thai sugar exports. Currently, Thai sugar exports to the

United States are severely limited to a 14,743 ton quota, with the standard over tariff duty levied at \$.16/lbs. resulting in an ad valorem tariff of over 200%. Domestic sugar prices in the United States are currently nearly three times the world price of sugar, severely disadvantaging US companies that use sugar as a product input and harming American consumers. The Coalition fully endorses the elimination of quotas on sugar and sugar containing products.

The recent exclusion of sugar imports in the US-Australia FTA and the bundling of quotas for sugar and sugar containing products are worrisome. The Coalition would like to emphasize the importance of including all sectors in the US-Thailand and all future trade agreements.

The Effects of the reduction of Thai tariffs on Imports from the United States:

Along with the benefits to US importers, the Coalition has identified major benefits to US exporters that will result from the liberalizing of trade between the US and Thailand.

Agriculture: Despite an average tariff rate of 24% on US agricultural products exported to Thailand, Thailand ranks as the 16th largest market for US agriculture exports. Significantly reducing high tariff barriers currently in place would create opportunities for growth for US agriculture producers.

The total value of bilateral farm trade in 2002 was approximately \$1.2 billion with major US exports to Thailand consisting of oil seeds, cotton, cereals, soybean oil, and cake. US exports such as meat and dairy products, alcoholic beverages, and tobacco could significantly benefit from a liberalizing agreement.

Dairy: The dairy industry has identified Thailand as a growth market. In 2003, Thailand imported \$11 million worth of dairy products from the United States. A comprehensive FTA, which reduces Thailand's current high tariff duty rates on dairy products (which currently range from 5% to 60%), eliminates tariff rate quotas and out of quota rates (currently exceeding 200%), and eliminates the extra 7% value added tax levied on dairy products (amongst other liberalizing provisions) will make US dairy products more competitive in the Thai market. With heavy competition in Thailand from Australia and New Zealand (Australia supplied 28% while the US supplied 6% of Thai dairy imports in 2002), the US dairy industry cannot afford to be further disadvantaged in the Thai market with high tariff and non-tariff barriers.

Distilled Spirits: Current exports of Distilled Spirits from the United States to Thailand is valued at \$1.3 million. Currently, duty rates on US spirits are as high as 60% in Thailand, while virtually all tariffs on nearly all spirit products from all sources (including Thailand) has been eliminated for US imports. Significant liberalization of this market would provide an unparalleled opportunity for the growth and expansion of exports of distilled spirits to Thailand. Tariff and non-tariff barriers impede the US' ability to supply the demands of the Thai market.

Pork: Current US exports of pork to Thailand (\$41,000) can be significantly increased if high tariffs, costly livestock inspection fees, and other cumbersome and unpredictable import permit issues are eliminated. The pork industry requests that all tariffs on US pork and pork producers be immediately set to zero upon the implementation of the US Thailand FTA. With a 33% tariff on red meat imported into Thailand, a liberalizing agreement would significantly improve the competitiveness of US exports to the Thai market.

Conclusion:

In conclusion, the US Thailand Free Trade Agreement Business Coalition fully endorses the negotiations for a comprehensive trade agreement between the United States and Thailand. Our organization represents a large cross section of industries, ranging from manufacturing to services to technology. All of our member companies look forward to the business opportunities that a US-Thailand Free Trade Agreement will offer and look forward to working with the ITC and the administration to support the negotiation of an agreement that will benefit both US consumers and businesses. I look forward to answering any additional questions you may have.

Delivered on May 4, 2004

US Thailand Free Trade Agreement Business Coalition

US-Thailand FTA Business Coalition
List of Member Companies (as of 04-27-04)

Co-Chairs in Bold, Steering Committee and Secretariat in italics

3M Company	<i>Grocery Manufacturers of Am. (Steering Comm)</i>
ACE Insurance Limited	Hewlett-Packard Company
Aerospace Industries Association	IBM Corporation
Alticor Inc.	Information Technology Assn. of Am
Altria Corporate Services, Inc.	Info. Technology Industry Council
AmCham Singapore	Interlink Management Corp.
<i>AmCham Thailand (Steering Comm)</i>	International Trade Services
American Standard	Issara Technology Co., Ltd.
American International Automobile Dealers	Johnson & Johnson
<i>AIG, Inc. (Steering Comm)</i>	Kellwood Company
<i>Am. Chemistry Council (Steering Comm)</i>	Kenan Institute of Private Enterprise
APL Limited	Korea Instit. for Intl. Economics
Asian Investment Strategies	Marriott International Inc.
Assn. of Intl. Auto. Manufacturers	Mekong Trading Company USA
AT&T	<i>Microsoft (Steering Comm)</i>
Bechtel Corporation	Monsanto Company
The Boeing Company	Motor & Equipment Mfns. Assn.
Brink's Thailand	Nat'l Electrical Manufacturers Assn.
<i>The Business Roundtable (Steering Comm)</i>	National Foreign Trade Council
C & M International	National Oilseed Processors Assn.
C.M. COMMERCIAL CO.,LTD.	National Cattlemen's Beef Assn.
CACH International Ltd Co	<i>National Assn. of Manufacturers (Secretariat)</i>
California Chamber of Commerce	<i>Nat'l Pork Producers Council (Steering Comm)</i>
California Council for Intl. Trade	New York Life Intl., Inc. (Co-Chair)
<i>Cargill, Inc. (Steering Comm)</i>	NIKE, Inc.
<i>Caterpillar, Inc. (Steering Comm)</i>	Nortel Networks
Chicken of the Sea International	OilPure Technologies, Inc.
<i>The Chubb Corporation (Steering Comm)</i>	Pacific Rim Consulting
<i>Citigroup (Steering Comm)</i>	Philip Morris
The Clorox Company	<i>PhRMA (Steering Comm)</i>
<i>Coalition of Services Ind. (Steering Comm)</i>	PricewaterhouseCoopers
Comlogix, Inc.	QUALCOMM, Inc. (Co-Chair)
<i>Corn Refiners Association (Steering Comm)</i>	Rail Transfer Corp. (Buffalo Fuel)
Covington & Burling	Reebok International Ltd.
CSIS	Robert Branand International
Danngo International Trading Co.	<i>Securities Industry Assn (Steering Comm)</i>
Deloitte	StorageTek
Diageo	The Trade Partnership
<i>Discovery Communications (Steering Comm)</i>	TimeWarner Inc. (Co-Chair)
Distilled Spirits Council of the US	Travel Goods Association
Dow Chemical Company	U.S. Assn. of Imp. of Textiles & Apparel
Elanco Animal Health	<i>U.S. Chamber of Commerce (Steering Comm)</i>
EZ-FTZ	U.S. Council for Intl. Business
FedEx (Co-Chair)	United Technologies Corporation
Fleishman-Hillard	Unocal Corporation (Co-Chair)
<i>Footwear Dist. & Ret. of Am. (Steering Comm)</i>	<i>UPS (Steering Comm)</i>
<i>Ford Motor Company (Steering Comm)</i>	<i>US - ASEAN Business Council (Secretariat)</i>
Gas Appliance Mfn. Association	Washington Group International
GDI & Associates Inc.	WBC Global
General Electric Company (Co-Chair)	Wheat Export Trade Edu. Comm.
General Motors Corporation	WorldSpace Management Corp.
Global Trade Information Services	